



CMA Weekly Alert – February 23, 2006

PRESCRIPTION DRUG PRICES UNDER PART D: HIGH AND RISING

In the first seven weeks of the Medicare Part D drug program, prescription drug plans raised the prices of prescription drugs. Prices charged by Part D plans are also considerably higher than prices charged under Medicare's former Prescription Drug Card program.

Medicare Drug Plan Prices Are Increasing Rapidly, a February, 2006 study prepared by the Minority Staff of the House Committee on Government Reform, Special Investigations Division, calculated the price negotiated by each of 10 leading Part D plans, in 5 different locations around the country, for a one-month supply of each of 10 brand-name drugs. These are the prices that the government, as well as individuals who are meeting their deductible or who are in the "donut hole", will have to pay. Committee staff obtained and compared prices in December 2005 and February 2006. The Report found:

- The average cost of the ten drugs increased from \$1,144 in December 2005 to \$1,194 in February 2006, a 4.3% increase in seven weeks. In calendar year 2005, the total increase in prices for these drugs was 3.4%.
- Nine of the 10 drug plans increased their prices from December 2005 to February 2006.
- Seven of the 10 drugs increased in price from December 2005 to February 2006 (e.g., the price of the ulcer medication Nexium increased from \$48 to \$129 under the YourRx plan, a 66% increase; the price of the stroke medication Plavix increased from \$114 to \$161 under the Silverscript Plus Plan, a 42% increase) and three of the drugs decreased in price.
- "Drug plans with the lowest prices experienced the greatest price increases." The Silverscript Plus Plan, which had the lowest overall average prices in December 2005, "had the largest price increase, 10.2%."
- "Other drug price benchmarks do not show similar price increases." The prices offered by Drugstore.com increased from \$1,119 in December to \$1,122 in mid-February, a 0.3% increase. The average wholesale price for the 10 drugs increased by an average of 3.4% between December 2005 in mid February 2006.

A second report, *Medicare Drug Plan Prices Are Higher than Medicare Drug Card Prices* (Feb. 2006), found that "the average Medicare drug plan prices are 14% higher than the prices offered by the Medicare drug cards." Committee staff compared prices for "the ten highest-selling

brand-name drugs used by seniors in 2003” that were charged by Medicare drug cards in April 2005 and by ten leading Medicare drug plans on February 20, 2006. They found:

- The ten drugs cost an average of \$946 in April 2005, \$1,077 in February 2006, an average increase of 14%.
- Insurance companies that sponsored Medicare drug cards are charging more for the same drugs under their Part D plans than they did for their drug cards (e.g., Coventry Health Care charged \$964 for the ten drugs with its Advantra Rx Medicare drug card, \$1,096 through its Part D plan).
- The 14% increase in prices between April 2005 and February 2006 does not reflect the consumer price index (which increased 2.3% since April 2005), an increase in drug prices generally (prescription drugs increased by an average of 3.6% since April 2005), or manufacturers’ average wholesale prices (which increased by an average of 6.0% since April 2005).

An earlier study by Committee staff found that Part D plans are the most expensive option for prescription drugs in Chicago. Prescription drug costs for the “ten drugs with the highest sales to beneficiaries in 2004” are higher under Medicare Part D plans in Chicago than the costs of the same drugs purchased with federally negotiated prices or purchased from Canada, Drugstore.com, and Costco. A study for seven Chicago-area Members of Congress, *New Medicare Drug Plans Fail to Provide Meaningful Drug Price Discounts in Chicago* (Feb. 2006) found:

Source of drugs	Average monthly cost	Average Part D cost (10 Chicago plans)	% that Part D cost exceeds average monthly cost from other sources
Federally negotiated prices	\$665	\$1,189	79%
Canadian prices	\$717	\$1,189	66%
Drugstore.com	\$1,122	\$1,189	6%
Drugstore.com (3-month supply)	\$3,235 (3-month mail order supply)	\$3,269 (3-month mail order supply)	1%
Costco	\$1,170	\$1,189	1.6%

Contrary to the repeated claim of the Centers for Medicare & Medicaid Services that Part D will drive down the prices of prescription drugs, these reports demonstrate that the prices of drugs under Part D are higher than prices available elsewhere and getting even higher. These reports also demonstrate that competition and the marketplace are less successful in reducing drug prices than direct negotiations by the government.

For more information, contact attorney Toby Edelman (tedelman@medicareadvocacy.org) in the Center for Medicare Advocacy's Washington, DC office, at (202) 216-0028. The reports cited in this piece are available at the links below.

Medicare Drug Plan Prices Are Increasing Rapidly (Feb. 2006),
<http://www.democrats.reform.house.gov/Documents/20060221102046-85441.pdf>

Medicare Drug Plan Prices Are Higher than Medicare Drug Card Prices (Feb. 2006),
<http://www.democrats.reform.house.gov/Documents/20060221101849-23735.pdf>